

Response to Problems and Solutions Identified by the Little Hoover Commission

Serving the Public: Managing the State Workforce to Improve Outcomes (2005)

Thank you for inviting SPB and DPA to brief you about the Human Resource Modernization Project (HR Mod), the Governor's initiative to restructure California's HR system. When DPA and SPB originally collaborated to create HR Modernization, a great deal of research was done and several reports were considered, including the California Performance Review (CPR) and the Little Hoover Commission reports among others. These reports were helpful in providing both a focus on the problems, as well as beginning the work to identify solutions.

We've attached the HR Modernization Strategic Plan and the timeline for the project. It may be helpful to take a moment to review the Strategic Plan prior to reading our report below. It gives a good overview of the project, and may help put some of the information below into context. While the project is in its infancy, the tasks listed on the timeline are on-track. Several of the project leaders began work in October '07 after the Legislature passed the budget, which included the funds to support HR Modernization. Other deputy directors started work in December and January. We've begun to solicit loaned positions from departments and, as you can see from the timeline, we will be in full swing by the end of this month. We're encouraged that the time is right to accomplish the project because departments are acting, offering us support in the form of loaned positions and funding.

Your Commission stated that reform of the State's Civil Service system is "not for those motivated by high-profile causes or unwilling to work collaboratively with traditional adversaries." We are confident that HR Modernization will be successful for just those reasons. SPB and DPA have teamed up with the Department of Finance, the State CIO, and representatives from the private sector and state departments to oversee the HR Modernization Project. We met with the state's managers, supervisors and HR professionals to discuss their thoughts and suggestions. Finally, we know that this project cannot be successful without collaboration and discussion with the unions that represent state workers.

Below, we grouped some of the major activities and goals of the HR Mod project respective to the issues identified by the Little Hoover Commission in your report. We've also given an overview of some of the long-term and short-term solutions, by issue. We look forward to talking with you in-person so that we can brief you on the activities of the project and also ask for your support and assistance.

Problem #1: Flawed hiring procedures thwart efforts to bring the best candidates into state service.

Solution #1: The State must improve its hiring procedures to bring into state service the most skilled management candidates.

Solution 1A: Identify Management Skills.

Response: Managers and Supervisors are one of the first occupational groups we plan to phase in under HR Modernization. Preliminary competencies have already been identified for manager level positions in state government by the CPR as well as several other entities. HR Modernization will validate these competencies for our own managers

and supervisors. As we modernize our examination processes, these competencies will be used for examination design and administration, as well as performance management.

Solution 1B: Establish Performance Exams.

Response: SPB has recently developed a new training class related to the design and construction of job-related examinations and selection procedures. This provides a means for departmental HR staff to increase their assessment/testing expertise, as well as form the basis for consistent testing/measurement practices across departments. We completed the pilot classes this fall and are offering the class monthly. Each class has been filled to capacity and there are waiting lists for future classes.

Solution 1C: Open the hiring process.

Response: In August/September 2007, the Health and Human Services Agency's departments offered an open Staff Services Manager I examination. Over 2600 candidates are on the list. Departments are currently allowed to test on an open basis; the only restriction for promotional-only testing applies to CEA classifications. HR Modernization plans to not only open the hiring process, but speed it up significantly. No longer will it take months or even years to get into state service. The new competency-based system will reduce that to weeks or even days in some cases.

Solution 1D: Tap top graduates from California's colleges and universities.

Response: In 2007, SPB and DPA worked with SEIU to revise the college entry level classification, Staff Services Analyst, including the minimum qualifications and examination. Previously, in-person testing was required and very limited access was available because of the high cost to administer the examination. The transition to Internet based testing allows continuous, open testing and an increased number of college graduates access to state employment. Since the Internet testing was implemented last August, over 10,000 eligibles have been added to the list.

A joint effort between State departments, the Los Rios Community College District, and CSUS began in April, 2007. Goals are to explore and address California government workforce needs, creatively explore means for the college systems to support California government workforce needs, build bridges between State government and California's colleges, and create relations and commitment to build programs designed to address specific California government workforce needs. DPA and SPB both participate. A subcommittee has also been formed for focus on Succession and Workforce Planning Issues.

Solution 1E: Establish performance measures for the personnel system.

Response: We support the development of performance measures linked to strategic plans for all state programs including the state personnel system. The HR Modernization Project will be measured by determining whether the goals and timelines set forth in the strategic plan have been met. Other measurements of success will include an analysis of any increase in the retention rate of current state employees, any increase in the number of applicants for state positions, and any reduction in the time period for hiring employees, processing appeals, hearings and other matters. This will be a continual process of setting goals and then determining if they are met. SPB's overall goal is to ensure a stronger merit system, a work force that will meet the growing

needs of an expanding California, and a personnel system that is responsive to its customers. DPA's goal to support the success of HR Modernization includes ensuring that we create a human resource system that allows the state to become a modern employer that rewards competencies, growth, performance, and development.

Problem #2: Poor public perception and lack of recruiting keep the best and brightest from considering a career in public service.

Solution #2: To attract talented managers, the Governor should initiate a campaign to reinvigorate public service.

Solution 2A: Establish a unifying vision of public service.

Solution 2B: Document the State's contributions to quality of life.

Response: As part of the HR Mod Strategic Plan, we will reinstitute a strong centralized recruitment program which is essential to compete for today's limited pool of talent. It includes a program to identify California state government as an employer of choice and provide "one-stop shopping." Development of an aggressive recruitment strategy is recommended to market California state government careers. The State must build its reputation as a desirable employer that offers a wealth of career opportunities, not just a job. Career marketing and related activities require coordination with departments, automation, and overall recruitment strategies managed centrally to best support the strategic business needs of the state and individual departments.

Problem #3: The State's management structure thwarts efforts to develop promising and proven managers.

Solution #3: The State must reform its management structure and actively develop stellar managers.

Solution 3A: Reform the classification system.

Response: This is the core of HR Modernization. Simplification of the state's classification structure begins by advancing many of the best features of competency-based systems and lessons learned from previous consolidation efforts. The HR Mod Project team will design and develop a statewide competency model as one of their first requirements. Occupational groups will need to be phased in over time, primarily based on workforce needs. Information gathered through an extensive automated occupational analysis survey process will then form the basis of an integrated, holistic, classification, selection, compensation, and performance management HR system. As a pilot, SPB and DPA are currently consolidating the Information Technology classifications from 36 to 12. These new classifications will be adopted summer 2008.

Solution 3B: Establish a fast-track management development program.

Solution 3C: Establish a Governor's mid-career management fellowship.

Response: The HR Mod Project Team is in the process of developing a manager training program. Any effort to improve the quality of the state's workforce and customer services must start with the improvement of its managers and supervisors, and holding them accountable for employee performance management and meeting business goals. This program will provide state leaders with the tools to create a performance environment and will be required for all managers. The team is aiming to pilot some of the program in 2008.

The Leadership for the Government Executive Program is offered at the California State University, Sacramento, sponsored by DPA, The Department of General Services, and the State CIO. It prepares State executives and upper-level management to learn to promote growth within interdepartmental agencies and develop solid working foundations within agency departments, create effective working environments, research and apply cross functional working relationships, develop open communication environments relative to employee needs. Four groups have graduated since the program began in the Spring of '07. Three more groups (totaling 83 people) began the program this fall.

Solution 3D: Establish a student career experience program.

Response: SPB is currently sponsoring legislation to create a State Intern classification and implement an intern program across state government that would bring college students into State civil service and transition them into state positions. A Government Code section would be added to provide that upon the successful completion of the internship program, the intern would move into a civil service classification.

Problem #4: The State fails to invest in training to improve the skills of its managers.

Solution #4: To improve outcomes, the State needs to make a commitment to management training and develop the capacity to train managers and leaders.

Solution 4A: Invest in management and leadership development.

Solution 4B: Build training costs into allocations for positions.

Solution 4C: Document value of training.

Response: As part of improving and fostering a high performance culture, training is required. While it may be true that many managers in the current culture view staff development as an expense rather than an investment, we realize that training enhances employee value and increases organizational effectiveness. An objective in the HR Mod Strategic Plan is to design performance evaluation and staff development models for all staff – managers, supervisors and rank and file. This will require the cooperation of management and the employee unions. We would also like to develop a method of determining the return on investment for employee development activities. This data could be used to justify future Budget Change Proposals (BCPs) for training and development.

One of DPA's corporate initiatives is to improve our statewide leadership in the area of training, as identified in our strategic plan. We must begin tracking what training is being done, assessing what needs to be done, and working with departments to provide resources.

Problem #5: Departments do not know which skills their employees possess and which additional skills are required to meet public needs.

Solution #5: Each state agency should engage in workforce planning. Require workforce plans.

Response: The HR Mod Plan has a goal that all HR systems need to be tied to business needs through strategic and workforce plans. All departments will be required to have current strategic and workforce plans.

Another of DPA's corporate initiatives is to hire a statewide workforce planning manager in 2008. This person will work closely with the HR Modernization workforce management team and provide interim help to departments. We've already begun the process of surveying departments to find out who has plans, where they are at in their process, and what kind of help they might need. DPA and SPB are hosting a workforce planning conference in April '08.

Problem #6: Departments have not articulated clear goals to guide decision making, inspire employees and focus attention on outcomes.

Solution #6: The state must renew its commitment to planning strategically, defining goals and setting priorities.

Solution 6A: Departments should undertake a strategic planning process.

Solution 6B: Planning should address crosscutting goals.

Solution 6C: Strategic plans should include program goals for individual managers.

Response: SPB offers training to all state agencies on Performance Management that includes how to develop strategic plans and performance measures. As part of the new performance culture, plans will include performance measures for individual managers.

Developing a strategic plan is the first step in the workforce planning process. As we track and assist departments with their workforce planning, we can also determine who may need to do their strategic plans and assess how best to help them.

Problem #7: Departments are not gathering or using performance information to guide management decisions and direct reforms.

Solution #7: The State must make a commitment to performance management.

Solution 7A: Departments should identify the public outcomes they will promote.

Solution 7B: Departments should identify the programs needed to achieve those outcomes.

Solution 7C: Departments should identify measures for monitoring progress.

Response: The HR Mod Project requires a commitment to implement a performance management culture in the state. Through the strategic planning process, departments will identify the public outcomes they will promote, what programs and resources are needed to achieve those outcomes; and what performance measures will monitor the progress.

Problem #8: Managers do not have the tools needed to improve outcomes.

Solution #8: Managers must be given the authority and responsibility to manage.

Solution 8A: Departments need discretion in the deployment of personnel.

Solution 8B: Managers must make better use of technology to achieve policy goals.

Solution 8C: Managers must have improved authority to manage limited public funds.

Solution 8D: Limit the impact of collective bargaining on management capacity.

Response: The HR Mod Project will provide all state managers with many on-line, integrated, and customized tools which will modernize the state's HR system. This

automated system will fully integrate all HR components: Classification, Recruitment and Selection, Compensation, Performance Management and Workforce Planning. The HR Modernization Project Management Team will coordinate and integrate the development and implementation of these various system-wide efforts. In addition, integration is required with other State Of California enterprise systems such as 21st Century, FISCAL, and SPB Exam and Certification System.

Problem #9: Oversight and accountability mechanisms push compliance and ignore outcomes.

Solution #9: Oversight activities should focus on outcomes, not compliance with rules.

Solution 9A: Policy-makers should focus on the outcomes that are expected.

Solution 9B: Control agencies should rely on strategic plans.

Solution 9C: The Department of Personnel Administration should guide the reinvention of employee performance reviews.

Response: Through HR Mod, strategic plans will be used by control agencies and policy makers to guide their decisions regarding departments' performance. Employee performance reviews will be reinvented as part of HR Mod. The reviews will be tailored to the competencies required for the occupational group and measured through objective tools. In order to create a performance culture in the California civil service all employees will need to be on the same page when it comes to performance management and achieving organizational goals. The "one size fits all" form for performance appraisal and individual development plans (Std. 637) does not come close to addressing competency-based performance expectations, assessing success or failure to achieve departmental goals and objectives, or effectively identifying training needs. The development of any performance standards for rank-and-file employees will require the cooperation of management and various employee unions.

Problem #10: Management compensation is not competitive, hindering efforts to hire and retain the best and brightest managers.

Solution #10: The Governor and the Legislature should ensure the State provides competitive compensation that attracts, retains, and rewards managers and executives of national caliber.

Solution 10A: Develop competitive pay packages.

Solution 10B: Enhance compensation for senior executives.

Response: A HR Mod Strategic Plan goal is to "compensate based on market conditions; individual self-development and business needs" with the objective to "simplify the compensation structure and compensate employees based on individual contributions, self development, and the competitive market." As it currently exists, the state's compensation plan covers more than 4200 classifications and includes over 300 separate pay differentials and 400 alternate salary ranges. With this number of variables, it is virtually impossible for anyone who is not thoroughly familiar with our pay manual to determine proper compensation for any given job. With the support of employee unions, we can design compensation plans that allow employees to be paid for their knowledge, skills and abilities, self improvement, and personal contributions to their employing agencies. Consolidation of classes into job families with wide salary ranges where salary advancement is based upon demonstrated proficiencies on the job is the key to this objective.

We are in the process of abolishing hundreds of vacant classes right now. We are already working with the scientist's union to discuss making them one of the first occupational groups to be phased in under HR Modernization. In addition, in 2007, we restructured executive compensation for agency secretaries and department directors. These changes have improved compaction issues at the highest level of state government and enabled us to recruit and retain the best and brightest individuals. We plan to continue restructuring the pay for our leaders to correct compaction issues.

Problem #11: Compensation rules are rigid and options limited, preventing the State from tailoring compensation packages to motivate improvement.

Solution #11: To motivate improvements and attract a strong management team, the State's compensation system for managers and executives should be transformed into a flexible and innovative strategy that aids recruitment, retention, and performance.

Solution 11A: Promote tailored compensation.

Response: As managers and supervisors are converted to HR Modernization, the new structure will include a variety of ways to increase compensation based on improved knowledge, skills, abilities, value to the State, and performance measures. This pay "grid" is yet to be created, but with current salary survey data, and input from other public agencies who have successfully put in place competency-based personnel systems, we are confident that the State of California will be successful in its transition.

Problem #12: The State's compensation system fails to recognize performance.

Solution #12: The State should craft and adopt a performance compensation strategy for managers and executives.

Solution 12A: Develop a performance compensation strategy

Solution 12B: Require performance contracts.

Response: Creating a performance culture in California's workforce will require a re-emphasis on identifying, communicating and monitoring performance expectations. The HR Mod Strategic Plan objectives call for the development of performance evaluation models as well as training programs for managers, supervisors and the State's human resources professionals. The performance planning and evaluation model for managers and supervisors should be tied to the annual budget cycle and departmental strategic plan. Performance planning that relates to strategic business goals and objectives for the coming fiscal year should be completed well before the end of each fiscal year. In addition:

- Job and career-related competency development needs should be identified and addressed in the performance planning phase.
- Performance and development plans should be monitored and tracked throughout the fiscal year with periodic meetings between managers and their subordinate managers each year.